

Please read these important
financial policies.

Thank you,

Nelson Tabingo

Important Memo

To: Pastors, Church Treasurers, & Head Elders


From: Nelson Tabingo, Conference Treasurer

Cc: Mayra Thompson, Conference Auditor

Subject: Important information on Church Finances and Audits

We are sharing the following information to all churches to update you of the recent actions of the Executive Committee that affect the recordkeeping of churches. Our goal is to provide the necessary assistance to insure timely and accurate financial records, and at the same time fully comply with IRS requirements.

Effective immediately, the Executive Committee has adapted the attached policy on processing the audits of church records. In addition, the Executive Committee also adapted the policy that all individuals hired in local churches are paid through the conference courtesy payroll.

These new policies should not affect most churches in the conference that are already compliant with these procedures and IRS regulations. However, these guidelines will be helpful as we deal with certain situations that need drastic changes in order to provide dependable financial information and meet the standards required for our fiduciary responsibility as a church.

In reviewing the records of churches, the following appear to be the prevailing issues that need our careful attention and I would like to discuss each briefly.

1. Recording of Charitable Contributions. In general, a charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of equal value. There are some contributions that you cannot deduct. You cannot deduct as a charitable contribution: a contribution to a specific individual, the part of a contribution from which you receive or expect to receive a benefit. You can deduct a contribution that you give to the church that in turn helps needy or worthy individuals if you do not indicate that your contribution is for a specific person. Church treasurers set up the account types so contributions are classified accordingly.

2. Supporting Vouchers for all Disbursements. All cash disbursements should be supported with proper documentations—vendor's invoices, utility bills, receipts. Checks issued to the treasurer should be signed by another authorized person (Pastor, assoc. treasurer, or Elder) other than the treasurer himself /herself or a family member.

The practice of advancing money to a person for purchases should be discouraged; many times purchases are made and receipts and documentations never reach the treasurer for filing, and therefore, no supporting vouchers.

3. **Projects outside of USA.** Sending church funds directly overseas is not permissible. When a church sponsors a mission project overseas—church building, Bible workers, Orphanages, etc., funds may be sent through denominational channels. However, transfers of funds overseas can be facilitated by sending funds directly to the General Conference with specific instructions where the funds should go. The General Conference office will transfer the funds to the local conference or mission. The donor church have to plan ahead to allow enough time to process the transfer of funds overseas.

4. **Receipts for Donations not Covered by the General Conference 501 © 3.** Local churches can issue receipts for donations to organizations that are covered under the General Conference 501 © 3 and are listed in the Yearbook. Independent ministries like Amazing Facts, Quiet Hour, 3ABN, Maranatha Int'l, etc., can issue tax deductible receipts to their donors. Individuals who would like to give to these ministries should be encouraged to give their contributions directly to these entities rather than channeling their contributions through the local church. You may call the treasury department to verify organizations listed in the SDA yearbook.

5. **Proper Classification of Individuals Providing Services to the Church.** According to the new policy adapted by the Executive Committee, all individuals hired by the local church should be paid through the conference courtesy payroll. This is a free service provided by the Conference. Please refer to the policy for the rationale of this action. Exception to this is hiring the services of independent contractors. **Independent Contractors** should provide an invoice with the official name, license number, and phone number on the invoice and will be issued a 1099MISC form when payments made for the year is \$600 or more.

6. **Software for Church Financial Records.** About 80% of our churches in the conference are currently users of "Jewel". This program is designed for churches and is very user friendly. At the close of each month all reports are printed which become the permanent record of the church. We have now adapted the procedure of using Jewel for all our churches, and encouraging those who are still in "Church Accountant" to use Jewel; the shift would be easy since donor names can be imported from Church Accountant. Churches that are combining "Jewel" with other software spend unnecessary time duplicating their work resulting to several uncoordinated reports which are difficult to follow. Also, "Jewel" has a built-in bank reconciliation feature which is very important in managing the church's finances.

These are the common issues encountered in our review of church records. We trust that by addressing these issues, we create a general awareness and consequently avoid the related problems. We have scheduled a treasurer seminar every quarter, and we encourage all our treasurers to attend. The above issues are addressed in detail. Common questions and concerns of the Church Treasurers will also be discussed. The afternoon session is for those who need hands on training with Jewel.

Thank you for taking the time to read this memo. Please do not hesitate to let us know if you have any question on any of the items. We will do our best to respond as soon as possible.

May the Lord abundantly bless your ministries.

Policy on Processing Audit Reports and Findings on Local Churches

As approved by the Executive Committee on May 21, 2006

Introduction: The financial records of Local Churches are reviewed by CCC Auditors at least once every two years. The Auditors review the records to ascertain that financial records are kept timely and accurately, that policies and IRS regulations are properly observed, then prepare a report of their findings and make appropriate recommendations. The conference administration is given copies of the audit reports so the latter is informed of the findings and problems, if any. Following are specific areas the auditors are reviewing in the audit process:

1. That weekly donations are counted and properly recorded
2. That funds received are deposited in a timely manner
3. That only legitimate donations are issued tax deductible receipts
4. That funds disbursed are properly supported with receipts/ invoices
5. That IRS and denominational regulations and policies are properly observed when sending funds overseas or to other charities
6. That payment to individuals for services are done within the IRS regulation
7. That bank reconciliation is done monthly

Obviously, it is important that church and school records be submitted in a timely fashion when the auditors request for them. When records are not reviewed within two years, the General Conference auditors will write the conference up for policy violation and, in addition, our fidelity insurance premiums will increase.

Payments to individuals for services rendered to local churches should be processed through the conference courtesy payroll. This is to insure that FICA taxes are properly processed. Independent contractors should provide an invoice with the official name, license number, and phone number on the invoice and get a 1099MISC form when payments are \$600 or more in the year. Issuing of 1099MISC forms could be done with the help of the Conference auditors. (Individuals with no legal status to work in the United States should not be hired for any reason).

As audits are made and reports prepared, it has been observed that there are churches that are not complying with the auditors' recommendations. If these violations continue from one year to the next and nothing is being done to correct the situation, this may lead to serious and grave consequences detrimental to the legal status of the conference and churches.

In order to address this situation with the churches, the following guidelines will be adapted to determine the audit level of each church. As each audit is done, churches will be categorized within these various levels and each situation will be dealt with accordingly:

Level:	Action to be taken:
1. Auditors make their initial findings of problems and issues of non-compliance	Auditors write up their observations and recommendations with instructions to make necessary corrections and/or comply with the rules/policies.
2. On the following audit, the church is found to do the same violations ignoring the auditors previous letter.	Conference officers will initiate a meeting with the local church to address the problems with the understanding to correct them. The auditor will be invited at this meeting.
3. On the following audit, the same violations are observed and previous contacts yielded no results.	The case will be discussed at Officers Council and recommend appropriate action at the Executive Committee level.*

*Remedies may include review of local Church/ Company status.

Policy on Conference Courtesy Payroll

As voted by the Executive Committee on May 21, 2006

Voted: that we adapt a policy that all individuals hired in local churches be paid through the conference courtesy payroll. (This will insure that persons hired have proper legal status and IRS requirements including FICA taxes are fully met. Practices in local churches that are non-compliant to these rules may have grave consequences not only for the local church but for the conference church as a whole). There is no cost to churches for this service.